

The impact of service quality on customers loyalty in hotel industry



FINAL PROJECT

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Written by:

Abd Alsalam M.A Qendah

B100122022

DEPARTMENT OF MANAGEMENT DUAL DEGREE PROGRAM

ECONOMIC AND BUSINESS FACULTY

UNIVERSITASMUHAMMADIYAH SURAKARTA

APPROVAL

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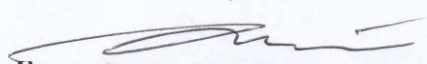
Written By:

ABD Alsalam M.A Qendah

B100122022

Approved By:

Advisor,


Ihwan Susilo, SE, MSi, Ph.D

RATIFICATION

Thesis entitled” **The impact of service quality on customers loyalty in hotel industry** by Abd Alsalam M.A Qendah, has been established through examination at the University Muhamadiyah Surakarta (UMS) on June, 19th 2017

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Examiner Team

1. Ihwan Susilo, SE, MSi, Ph.D

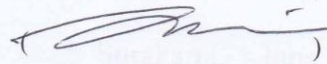
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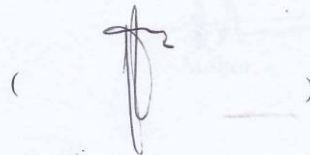
2. Dr. Soepatini, MSi

(Examiner II)

3. Imronudin, SE, MSi, Ph.D

(Examiner III)

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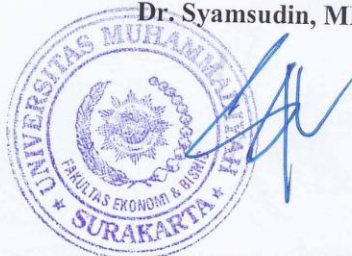
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Dean

Head of Economic and Business faculty

Dr. Syamsudin, MM

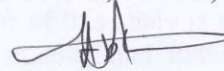


DECLARATION AUTHENCITY

I hereby declare that thesis entitled” **The impact of service quality on customers loyalty in hotel industry** this all its content is truly the work of my own and I did not do plagiarism or quotation in ways that are inconsistent with the prevailing ethic in the scientific community.

On this statement, I am ready to bear the risk/ any sanction imposed to me in accordance with applicable regulations, if the future found a breach of scientific ethics, or you have a claim against the authenticity of my work.

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Author,

Abd Alsalam M.A Qendah

B100122022

THE IMPACT OF SERVICE QUALITY ON CUSTOMERS LOYALTY IN HOTEL INDUSTRY

By. Abd alsalam M.A Qendah

Department of Management,Economic and Business Faculty,

Universitas Muhammadiyah Surakarta

Abd.qendah1994@gmail.com

ABSTRACT

One of the critical success factors that affect the company's performance is service quality. Service quality is the difference between customers expectations for the service encounter and the perceptions of the service received. Customer loyalty is also affecting by service quality. The aims of this study is to analyze the effect of service quality on customer loyalty in the hotel industry. The sampling technique used was purposive sampling. Samples in this study are 150 respondents that are customers Hotel in Surakarta. Based on the results of research and discussion, it can be concluded as follows: assurance has a positive effect on customer loyalty, emphaty has a positive effect on customer loyalty, reliability has a positive effect on customer loyalty, responsiveness has no effect on customer loyalty, tangible has a positive effect on customer loyalty.

Keywords: Service Quality, customer loyalty, hotel industry

INTRODUCTION

Background

Customer loyalty needs to be taken care of by the hotel. Quality service or service quality associated with services offered by the hotel. Business in this field is a business engaged in services. Service is any action or activity which may be offered by one party to another, which is essentially intangible and does not result in any ownership (Kotler, 1998: 84). Services are intangible, inseparately, variability, and not perishable. According to GE Director, Welch Ohn, quality is our best guarantee of customer loyalty, our strongest defense in the face of foreign competition, and the only path to lasting growth and income (Kotler 2000: 48). According to Wyckof, the quality of service is the level of excellence expected and control over the level of excellence to meet customer desires (Siwantara, 2011).

Quality of service or service quality closely related to customer satisfaction because customer satisfaction is the main key in the development of the business workshop. If a consumer is dissatisfied, he will easily move to another workshop, complain to relatives and friends that can also cause bad image of the workshop to his relatives, and the most is he will never return to the workshop. With intense competition, hotels should pay more attention to the quality of service (service

quality) which includes five factors related to service quality, namely tangibles, reliability, responsiveness, assurance, and empathy.

In this research will be focused on the customers of hotel industry especially in Solo or Surakarta. This also supported by previous research done by Bostanji (2013), Osman (2013), Moisescu and Gica (2014), Poku et al (2014), Malik et al (2011). Based on the background, so this research will analyze the impact of service quality on customer loyalty in hotel industry.

Research Problems

Research problems in this research background as follows: to what extend the effect of service quality on customer loyalty in hotel industry?

Research Purpose

Research purpose are to analyze the effect of service quality (assurance, empathy, reliability, responsiveness and tangible) on customer loyalty in the hotel industry.

LITERATURE REVIEW

Theoretical Review

Service Quality

According to Parasuraman et al (in Fitzsimmons, Zeithaml, 1996) there are five basic dimensions that determine the quality of services, namely: (Tjiptono, 1996: 70)

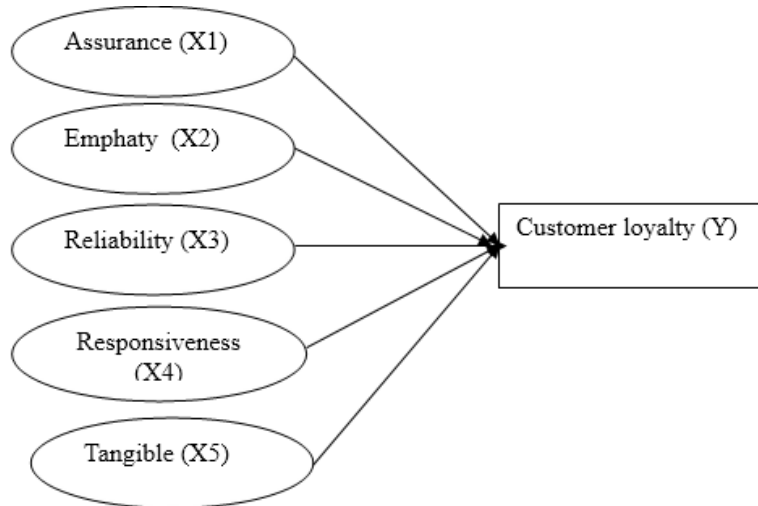
- a. Tangibles
Includes physical facilities, equipment, employees, and means of communication. Examples: the number of employees who suffice, adequate parking, building buildings are clean and maintained, the comfort of the waiting room.
- b. Reliability It is the ability to deliver promptly, accurately, and satisfactorily promised services.
- c. Responsiveness
It is the desire of the staff to help customers and provide services with responsiveness. Examples: quick complaint handling, fast transaction settlement process.
- d. Assurance
Includes the knowledge, capability, courtesy, and credibility possessed by staff, free of danger, risk, or hesitancy. Example: Good employee ethics ethics when dealing with customers.
- e. Empathy
Includes ease in making connections, good communication, personal attention, and understanding of customer needs.

Customer Loyalty

According to Griffin (2005) loyalty is a strongly held commitment to buy or subscribe again to a particular product or service in the future despite the

influence of marketing situations and efforts that could potentially cause a change in behavior.

Research Model



Hypothesis

- H1: There is positive effect of assurance on customer loyalty
- H2: There is positive effect of emphaty on customer loyalty
- H3: There is positive effect of reliability on customer loyalty
- H4: There is positive effect of responsiveness on customer loyalty
- H5: There is positive effect of tangible on customer loyalty

METHODOLOGY

Population and Sample

The population in this study are all customers Hotel in Surakarta. This research will distributed questionnaires to 150 customers who have been visit the hotel. The sampling technique used was purposive sampling for population, purposive sampling used the criteria and considerations. The samples in this research delam using some specific considerations (Ferdinand, 2000), with a sample size minimum 100 and in this research will distributed questionnaires to 150 customers who have been visit the hotel. The criteria as follows: the customer in hotel three stars in Surakarta and willing or able to participate in questionnaires, minimum has been two times visited this hotels.

Type of Data

Type of data in this research is primary data.

Data Collection Methods

Data is collected using a questionnaire with closed questions, the questionnaire used to obtain data on the service quality and customer loyalty.

Closed-ended questions on the questionnaire were made using a Likert scale, as follows: 5 (strongly agree), 4 (agree), 3 (neutral), 2 (disagree), 1 (strongly disagree).

Technique Analysis Data

Validity test

The validity test shows the extent to which the measuring instrument can be used to measure what it wants to measure to test the validity of the questionnaire with the 5% significance level using the product moment correlation coefficient formula. The reason for using this method is to know whether there is a relationship between two variables.

Reliability test

Reliability testing is an index indicating the extent to which a reliable or reliable measuring instrument. To calculate the reliability of a data can use Cronbach's Alpha approach. If the value of α is smaller than 0.5 then item x is declared not reliable. Whereas if the value of α is greater than 0.5, then item x is declared to be reliable.

Regression Analysis

This study will use Linear Regression. Regression analysis is a statistical link between independent variables (X) with dependent variable (Ghozali, 2013). Here is the formula of Regression analysis in this study:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + e$$

Whereas:

Y = Customer loyalty

a = constant / parameter intercept

b1 = regression coefficient value

X1 = Assurance

X2 = Emphaty

X3 = Reliability

X4 = Responsiveness

X5 = Tangible

e = error

Significance partial test (t test)

Significance test partial t basically shows how much influence the data individually independent explanatory variables in explaining the variation of the dependent variable (Gujarati, 2013). T-test in this study to examine whether, a variable X is still contributing significantly to the dependent variable Y

RESULT AND ANALYSIS

In this section will discussed about the result and analysis from the questionnaires distributed 150 respondents.

Table 1.1. Statistic Descriptive Assurance

Description	N	Minimum	Maximum	Mean	Std. Deviation
X1.1	150	2,00	5,00	4,1000	0,63192

X1.2	150	2,00	5,00	3,8067	0,93189
X1.3	150	1,00	5,00	3,9800	0,87830
X1.4	150	2,00	5,00	3,6667	0,85661
X1.5	150	1,00	5,00	3,7400	0,79790

Table 1.1. showed that the highest mean value is the first variable assurance (4.1000) and the lowest is the fourth statement (3.6667). This indicated that the five statement of respondents tend to agree with the statement that the feel safe at the hotel, sufficient places to sit and relax, Staff of this hotel has good knowledge and courtesy, feel secure at the hotel, and employees' behavior instill confidence in hotel customer. Table 1.2 shows the statistic descriptive for empathy variable:

Table 1.2. Statistic Descriptive Empathy

Description	N	Minimum	Maximum	Mean	Std. Deviation
X2.1	150	1,00	5,00	3,9400	0,85318
X2.2	150	1,00	5,00	4,1067	0,77846
X2.3	150	1,00	5,00	3,8000	0,94123
X2.4	150	1,00	5,00	3,6733	0,87850
X2.5	150	1,000	5,000	3,74667	0,795851

Table 1.2 showed that the highest mean value is the second statement (4.1067) and the lowest is the fourth statement (3.6733). This indicated that the five statement of respondents tend to agree with the statement that the personal attention is provided to customers when needed, staff of this hotel caring about the guest, the hotel considers needs for elderly customers, staff concern with the customer's needs, and the hotel considers needs for disabled customers. Table below shows statistic descriptive for reliability variable:

Table 1.3. Statistic Descriptive Reliability

Description	N	Minimum	Maximum	Mean	Std. Deviation
X3.1	150	1,00	5,00	3,7733	0,96340
X3.2	150	1,00	5,00	4,0200	0,78124
X3.3	150	1,00	5,00	3,6200	0,92446
X3.4	150	1,00	5,00	3,7600	0,75689
X3.5	150	1,000	5,000	4,0133	0,72340

Table 1.3. showed that the highest mean value of the second statement of 4.0200, and the lowest is third statement of 3.6200. This indicated that the six statement of respondents tend to agree with the statement that the front-desk employee accurately verified the reservation requests, the time it took to check in or check out is not too long, the reservation system (e.g., telephone or internet reservation) is easy to use, staff of this hotel provide information accurately, and the employees provide error-free records. Table 1.4 shows statistic descriptive for responsiveness variable:

Table 1.4. Statistic Descriptive Responsiveness

Description	N	Minimum	Maximum	Mean	Std. Deviation
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X4.1	150	1,00	5,00	3,6333	0,94419
X4.2	150	1,00	5,00	3,8867	0,70030
X4.3	150	1,00	5,00	3,6867	0,91326
X4.4	150	1,00	5,00	3,9333	0,73882
X4.5	150	1,000	5,000	3,8067	0,80848

Table 1.4 showed that the lowest of variable responsiveness is the first statement (3.6333), and the highest mean is the fourth statement (3.9333). This indicated that the six statement of respondents tend to agree with the statement that the staff are always helpful and quick responds, staff provide prompt service, staff are willing to take time with customers, and staff are well informed to answer customers' requests. Table below shows statistic descriptive for tangible variable:

Table 1.5 Statistic Descriptive Tangible

Description	N	Minimum	Maximum	Mean	Std. Deviation
X5.1	150	1,00	5,00	4,0000	0,85137
X5.2	150	1,00	5,00	4,0467	0,84613
X5.3	150	2,00	5,00	3,8600	0,85161
X5.4	150	1,00	5,00	4,0667	0,74785
X5.5	150	2,00	5,00	3,8067	0,88003
X5.6	150	1,00	5,00	4,1600	0,75155
X5.7	150	1,00	5,00	4,0800	0,74654

Table 1.5. showed that the highest mean value of the variable tangible is the fifth statement (4.1600) and the lowest mean is the third statement (3.8600). This indicated that the seven statement of respondents tend to agree with the statement that the hotel has good and complete equipment, the hotel environment is attractive, direction signs to show around the attraction are clear and helpful, the staff appearance are attractive, the physical facilities offered are well maintained and good condition, and the hotel is clean. Table below shows statistic descriptive for loyalty variable:

Table 1.6. Statistic Descriptive Loyalty

Description	N	Minimum	Maximum	Mean	Std. Deviation
Y1	150	1,00	5,00	4,1000	,67307
Y2	150	1,00	5,00	3,6533	,97614
Y3	150	1,00	5,00	3,9933	,87083

Table 1.6. showed that the highest value is the first statement (4.1000) and the lowest is the second statement (3.6533). This indicated the respondents tend to agree with a statement that would recommend this hotel to other people, would encourage friends and relatives to visit this hotel, and would consider this hotel as my first choice when I need hotel service.

Regression Analysis

To test the hypothesis, make in regression analysis. This table below shows the result of regression analysis:

Table 1.7. Coefficient Determination

R	R Square	Adjusted R Square	Std. Error of the Estimate
0,825	0,680	0,669	1,12458

From the Table 1.7., the (adjusted R Square) value is 0,669 it means that 66.9% customer loyalty can be explained by the variable of service quality dimensions which are tangible, assurance, responsiveness, empathy, reliability. While the rest 33,1% can be explained by other variables out of the model. The range of R² value is between 0 and 1, the smaller the value of R², the weaker the relationship between the variables (Ghozali, 2013).

Table 1.8. F test

Description	Sum of Square	Mean Square	F	Significant
Regression	386,719	77,344	61,157	0,000
Residual	182,114	1,265		
Total	568,833			

From table 1.8., it is identified that the value of F-test 61.157 and is significant as the level of significance is less than 0.05. This indicated that the overall model was reasonable fit and there was a statistically significant association between service quality dimensions and customer loyalty.

Table 1.9. t test

Description	Unstandardized Coefficients	Standardized Coefficients	Unstandardized Coefficients		
	B	Std. Error	B	t	Sig.
Assurance	0,397	0,048	0,587	8,200	0,000
Empathy	0,107	0,048	0,154	2,239	0,027
Reliability	0,105	0,050	0,161	2,095	0,038
Responsiveness	0,044	0,035	0,071	1,277	0,204
Tangible	0,070	0,024	0,157	2,864	0,005

Regression equation:

$$Y = 0.614 + 0.397 X_1 + 0.107 X_2 + 0.105 X_3 + 0.044 X_4 + 0.070 X_5$$

Whereas:

Y = Customer loyalty

X₁ = Assurance

X₂ = Empathy

X₃ = Reliability

X₄ = Responsiveness

X₅ = Tangible

Table 1.9 showed the result of regression analysis. The significant level for assurance is 0.000 and coefficient beta is +0.397, so the conclusion is there positive and significant effect of assurance on customer loyalty and H₁ supported. The significant level for empathy is 0.027 < 0.05 and coefficient beta is +0.107, so the conclusion is there is positive and significant effect of empathy on

customer loyalty and H2 supported. The significant level for reliability is $0.038 < 0.05$ and coefficient beta is $+0.105$, so the conclusion is there is positive and significant effect of reliability on customer loyalty and H3 supported. The significant level for responsiveness is $0.204 > 0.05$ so the conclusion is there is no significant effect of responsiveness on customer loyalty and H4 rejected. The significant level for tangible is $0.005 < 0.05$ and coefficient beta is $+0.070$ so the conclusion is there is positive and significant effect of tangible on customer loyalty and H5 supported.

Service providers should avoid retardation because the detained customer may not always be satisfied and also not all satisfied customers are always on hold. The result of analysis is known that the significance value for assurance is 0,000 and the beta coefficient is $+0.397$, so the guarantee has a significant positive effect on customer loyalty. Research has shown that perceived service quality has a positive impact on customer loyalty (Wong, C. B., 2005).

Empathy is the ease in relationships, personal attention, good communication, and understanding of customer needs. The result of analysis shows that the level of significance for empathy is $0.027 < 0.05$ and the coefficient beta $+0.107$, so empathy has a significant positive effect on customer loyalty. Better service quality than empathy dimension, so it will accumulate positively on customer loyalty (Bostanji, 2013).

Reliability is the ability to deliver promised services quickly, accurately and satisfactorily. The results of the analysis revealed that the significance value for reliability is $0.038 < 0.05$ and the coefficient beta $+0.105$, so the reliability has a positive and significant effect on customer loyalty. The quality of service is better than the reliability dimension, so it will accumulate positively on customer loyalty (Osman, 2013).

The results of the analysis note that the significant response is $0.204 > 0.05$ so that responsiveness does not significantly affect customer loyalty. The reason for the rejection of this hypothesis is that it is not optimally responsive and not good enough to have no significant effect on customer loyalty (Moisescu and Gica, 2014). The results of the analysis note that the significant level value for tangible is $0.005 < 0.05$ and the coefficient beta $+0.070$ so that the real has a positive and significant effect on customer loyalty. The better the tangible dimension, it will feel positive and significant to customer loyalty (Malik et al., 2011).

CONCLUSION

This research aims to analyze the effect of service quality on customer loyalty and the conclusion as follows: Assurance has a positive and significant effect on customer loyalty, empathy has a positive and significant effect on customer loyalty, reliability has a positive and significant effect on customer loyalty, responsiveness has no significant effect on customer loyalty, the tangible has a positive and significant effect on customer loyalty

Recommendations

The recommendations in this research are: The hotel should be able to improve its attention to the quality of service to its guests, because between the quality of service with customer loyalty there is a fairly high unidirectional relationship. This can be done by make good training of staff hotel, maintenance tangible and facilities, and also complaint from customers respond fast. In the future research, can add variables related to customer satisfaction, such as image, promotions.

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